

# VEROFORECAST™

## US. Housing Outlook Report & Press Release

March 2019 – March 2020



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# New 12-month Projection of Residential Real Estate Appreciation Predicts Continued Slowing in Top 100 Housing Markets

Today VeroFORECAST report predicts slowing in key California markets and across Louisiana, which has half the forecast's Bottom 10

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**Santa Ana, Calif. – April 11, 2019** – A new report from **Veros® Real Estate Solutions** (Veros) predicts that properties in the nation's 100 largest markets will appreciate at a rate of 3.7 percent over the 12 months ending March 1, 2020. According to the **VeroFORECAST™** for first quarter 2019, this continues a projected slowing that first appeared in the previous quarter's report.

Among the states where predictions raise concern are Louisiana, which has half of the ten markets at the bottom of the report's 100 most-populous markets, and California. The Golden State is expected to continue softening significantly with forecast appreciation for both the Los Angeles and San Diego markets falling well under five percent. The Bay Area is expected to fare only slightly better, with appreciation just above five percent, well below its double-digit readings in the recent past.

Other states where VeroFORECAST projects depreciation or significantly lower appreciation are Illinois, Connecticut, Utah, North Dakota, and Southwest Florida, as well as many New York City boroughs and the major Texas markets of Dallas-Ft. Worth and Houston.

Veros, an award-winning industry leader in enterprise risk management, collateral valuation services and predictive analytics, provides these quarterly VeroFORECAST reports by subscription to its clients and in a summary overview to industry media. The current report is based on data from 349 Metropolitan Statistical Areas (MSAs), which include 13,545 zip codes, 984 counties, and represent 82 percent of U.S. residents.

After a steady rise over many quarters, the forecast has come down from +4.5 percent six months ago to +3.9 percent last quarter and now to +3.7 percent for this quarter. Although this is a big decline over such a short period of time, it is not cataclysmic.

While the further drop is seen as "significant," according to **Eric Fox**, Veros VP of Statistical and Economic Modeling and the report's author, he cautions it does not signal an impending crash.

"We do not see a significant depreciation," Fox said, "but simply a slowing down of most markets. The overall housing market is still expected to remain healthy as the fundamentals remain solid including historically low interest rates and a strong economy with low unemployment rates."

Nevertheless, he adds, "The strength of the past few years is expected to dissipate somewhat in most markets."

### SHIFTING TRENDS IN U.S. HOUSING MARKETS

In the current report, both the Top and Bottom Ten are dominated by small-to-modest-sized cities, with one anomaly in each list: Phoenix, the nation's fifth largest city, has joined the Top 10 while Hartford, with an estimated 2018 population of 1.2 million, has joined one smaller Connecticut market in the Bottom Ten.

A key discriminator between the forecast top and bottom markets is housing supply. A very low housing supply is a feature of the top markets, where prices are expected to increase significantly. Population trends are also a characteristic, with slow or declining population growth contributing to low demand in markets at the lowest ranks of the forecast.

The Top Ten have an average forecasted appreciation of 7.82 percent, off a half percentage point from last quarter's 8.32 percent Top Ten average, with six of the current Top Ten MSAs continuing from last quarter's report. However, while the top two of those six – Idaho Falls and Odessa, Texas – rose by 1.6 and .36 percent respectively, the other four are down slightly from last time.

Here are the markets projected to appreciate the most and the least through March 1, 2020:

#### TOP TEN

1. Idaho Falls, ID.....	10.2%
2. Odessa, TX.....	8.8%
3. Boise City-Nampa, ID.....	8.7%
4. Bellingham, WA.....	7.8%
5. Olympia, WA.....	7.6%
6. Midland, TX.....	7.5%
7. Phoenix-Mesa-Glendale, AZ.....	7.1%
8. Spokane, WA.....	7.0%
9. Yakima, WA.....	6.9%
10. Kennewick-Pasco-Richland, WA.....	6.9%

#### BOTTOM TEN

1. Alexandria, LA.....	-1.9%
2. Hammond, LA.....	-1.2%
3. Danville, IL.....	-1.1%

4. Baton Rouge, LA.....-0.8%
5. Lafayette, LA .....-0.7%
6. Shreveport-Bossier City, LA .....-0.7%
7. Decatur, IL.....-0.4%
8. Hartford-West Hartford-East Hartford, CT .....-0.3%
9. Norwich-New London, CT .....-0.3%
10. Hot Springs, AR .....-0.2%

### ADDITIONAL VEROFORCAST TAKEAWAYS

Depreciating markets remain at five percent of all forecast markets. Like Louisiana's forecast to do poorly statewide, Illinois and Connecticut, which each contribute two markets to the Bottom Ten, are projected to do uniformly poorly. The depreciation rates, however, are less than -0.2 percent, with the average of the Bottom Ten depreciating markets up from -0.92 percent in the previous quarter's forecast to -0.76 percent.

Texas is forecast to have continuing softening for major markets like Dallas-Ft. Worth and Houston, with the latter forecast to have just 1.8 percent appreciation. Dallas-Ft. Worth, on the other hand, is expected to perform somewhat better. Oil rich locales of Odessa and Midland, with their hold on spots in the Top Ten, are notable exceptions.

Many New York City boroughs are now driving the softening of the New York metro area to lower projected rates of appreciation, with Queens, for example, expected to have low single-digit appreciation. Manhattan, on the other hand, is expected to have low single-digit *depreciation*.

Other areas showing weakness are Utah, North Dakota, and Southwest Florida, where the markets of Cape Coral, Ft. Myers, and Naples all forecast to be in the low single digits of appreciation.

Businesses can license VeroFORECAST reports, which come out at the end of each quarter, for any and all areas that those businesses serve. The valuation forecast models are used to gain competitive expertise at the metropolitan, county, and zip code level, with greater granularity available by property type and price tier.

In the abbreviated summary reports released to the media there are insights to help inform the public and related industry professionals, including the average rate of appreciation for the most populous 100 markets and details on the ten markets at the top and bottom of the full list of analyzed MSAs.

### FOR MORE INFORMATION

Real estate and mortgage professionals and those in the financial services sector who wish to receive either the complete quarterly reports or regional reports as they are released can subscribe. For more information email [communications@veros.com](mailto:communications@veros.com) or call (866) 458-3767.

**Additional forecasts and infographics for U.S. markets are available to the press for download and upon request. Visit [Veros.com](http://www.veros.com) for the [VeroFORECAST Report](#).**

#### **About Veros Real Estate Solutions**

A mortgage technology innovator since 2001, Veros is a proven leader in enterprise risk management and collateral valuation services. The firm combines the power of predictive technology, data analytics, and industry expertise to deliver advanced automated solutions that control risk and increase profits throughout the mortgage industry, from loan origination to servicing and securitization. Veros' services include automated valuation, fraud and risk detection, portfolio analysis, forecasting, and next-generation collateral risk management platforms. Veros is also the primary architect and technology provider of the GSEs' Uniform Collateral Data Portal (UCDP). For more information, visit [www.veros.com](http://www.veros.com) or call 866-458-3767.

#### **About Eric Fox, VP of Statistical and Economic Modeling:**

Eric Fox received his M.S. in Statistics and B.S. in Mathematics and Economics from Purdue University, and has 30 years of industrial experience in statistical and econometric modeling, probabilistic life methodology development, statistical training, probabilistic design software development, and probabilistic financial/competitive analysis. Fox has published more than 20 technical papers on probabilistic and statistical methods.

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Forecast data is as of March 2019. Markets demonstrated are for residential real estate in major areas (typically greater than 300,000 residents and could include areas in which population is relatively low such as 100,000 residents) among single-family homes in the median price tier.

Map not to scale. Contact Veros for additional information.

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## Markets Remain Healthy Despite Continued Slowing

VeroFORECAST PROJECTIONS

# +3.7%

5% of  
U.S. Markets  
Expected to  
Depreciate

Home Price Appreciation Over Next 12 Months  
in 100 Most Populated Metros

### Top 10

Though modest-sized MSAs dominate Top and Bottom 10, the large city of Phoenix moves into the Top 10 this quarter...

### Bottom 10

...and the large city of Hartford is in the projected Bottom 10.

**Metro Areas**  
Covered

# 349

**Counties**  
Covered

# 984

**Zip Codes**  
Covered

# 13,545



## TOP 10 MARKETS

VeroFORECAST Projections

# +6.9% TO +10.2%

Home Price Appreciation Over 12 Months

### NORTHWEST MSAs DOMINATE

Washington occupies a whopping five spots in the Top 10, although mainstay Seattle is no longer among them. Neighboring Idaho holds two spots, with oil-rich Texas metros filling two more. Newcomer Phoenix rounds out the list.

**DRIVERS**

- Low Interest Rates
- Limited Inventory
- Low Unemployment

#### TOP 5 MARKETS: FORECAST APPRECIATION OVER NEXT 12 MONTHS

**1**

**+10.2%**  
Idaho Falls, ID

**2**

**+8.8%**  
Odessa, TX

**3**

**+8.7%**  
Boise City-Nampa, ID

**4**

**+7.8%**  
Bellingham, WA

**5**

**+7.6%**  
Olympia, WA

**TREND**

Average Top 10 appreciation is projected to be about 7.9% — down slightly from last quarter's forecasted 8.3% average.



## Top 10 Markets

1. Idaho Falls, ID	+ 10.2%
2. Odessa, TX	+ 8.8%
3. Boise City-Nampa, ID	+ 8.7%
4. Bellingham, WA	+ 7.8%
5. Olympia, WA	+ 7.6%
6. Midland, TX	+ 7.5%
7. Phoenix-Mesa-Glendale, AZ	+ 7.1%
8. Spokane, WA	+ 7.0%
9. Yakima, WA	+ 6.9%
10. Kennewick-Pasco-Richland, WA	+ 6.9%

# BOTTOM 10 MARKETS

VeroFORECAST Projections

## -1.9% TO -0.2%

Home Price Depreciation Over 12 Months



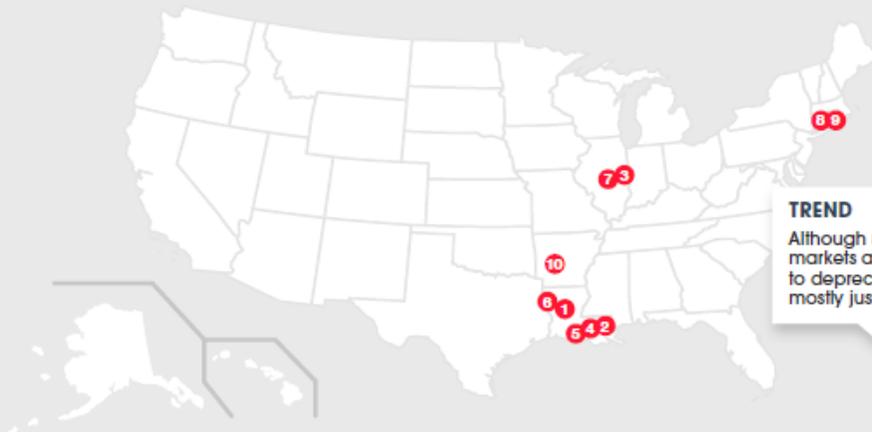
### LOUISIANA HAS HALF BOTTOM 10 SPOTS

Louisiana is forecast to do uniformly poorly, while the states of Connecticut and Illinois again have two cities among the group. One Arkansas MSA rounds out the Bottom 10.

**DRIVERS**

- Flat/Declining Population
- Higher Unemployment
- High Inventory

### WEAKEST 5 MARKETS: FORECAST DEPRECIATION OVER NEXT 12 MONTHS



**TREND**

Although 5% of markets are forecast to depreciate, it is mostly just -1% or -2%.

## Bottom 10 Markets

1. Alexandria, LA	-1.9%	6. Shreveport-Bossier City, LA	-0.7%
2. Hammond, LA	-1.2%	7. Decatur, IL	-0.4%
3. Danville, IL	-1.1%	8. Hartford-West Hartford-East Hartford, CT	-0.3%
4. Baton Rouge, LA	-0.8%	9. Norwich-New London, CT	-0.3%
5. Lafayette, LA	-0.7%	10. Hot Springs, AR	-0.2%